

I. YEAR'S HIGHLIGHTS

A. Gross Handle

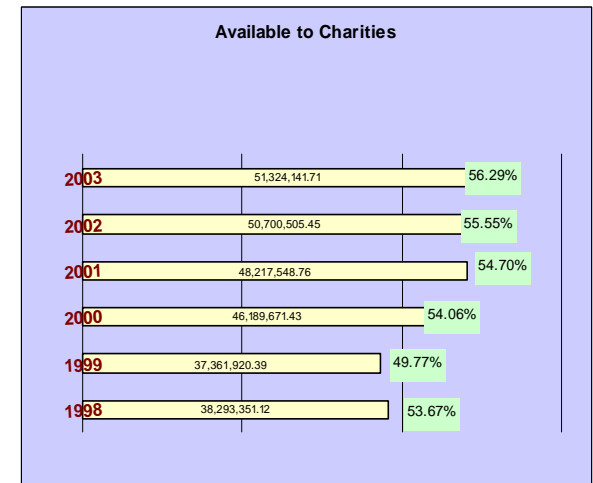
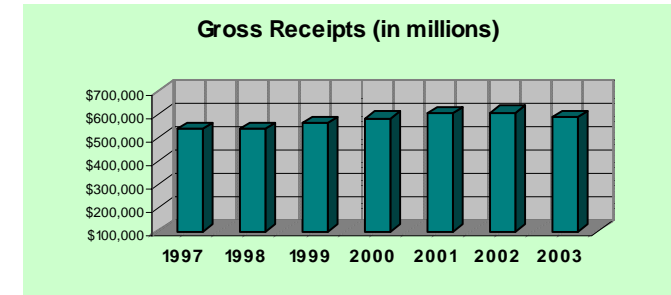
In 2003, Kentucky experienced a decrease in charitable gaming gross receipts. The “handle”, which is the money taken at the door before payouts or expenses are deducted totaled **\$588,431,014.83** in 2003. This is a decrease of \$20 million dollars from 2002. This decrease can be related to changes in the economy. The total payout statewide was **\$497,259,146.94**. The payout averages **85%** of the statewide gross handle.

B. Retention Percentage

After expenses, the charities had **\$51,324,141.71** available for charitable purposes, **\$623,636.26** more than last year. More importantly, the percentage of total dollars wagered that is available to (retained by) the charity increased yet again to **56.29%**, up from **55.55%** in 2002.

C. Attendance

The reported statewide attendance for 2003 was **5,313,352** individuals, a decrease of over 100,000 from last year. The largest gaming counties in attendance are: Jefferson, Simpson, Whitley, Boyd, and Kenton. These counties accounted for **54%** of the attendance statewide. The six (6) largest gaming counties in gross receipts are: Jefferson, Whitley, Simpson, Boyd, Kenton and Fayette.



Of the 120 counties in Kentucky, eighty-four (84) have some form of charitable gaming.

D. Comparison to Other States

Kentucky has consistently ranked within the top six (6) states in gross receipts (handle) in charitable gaming. For 2002, according to the National Association of Fundraising Ticket Manufacturers (NAFTM), Kentucky was 3rd in gross receipts. The other top four (4) states were Minnesota, Washington, Indiana, and Texas. In past years, California and Ohio were in the top six but did not report in 2002. In 2002, Minnesota was far and away the leader in charitable gaming with almost one and a half (\$1.5) billion dollars wagered followed by Washington with over eight hundred (\$800) million dollars and Kentucky with over six hundred (\$600) million. Indiana and Texas each wagered over \$550 million in 2002. Comparison numbers for 2003 were not available.

II. CHARITABLE ORGANIZATIONS/TYPES OF LICENSEES

A. Types of Charities

Charitable gaming licensees include churches; schools; band and athletic boosters; community sports programs; veterans; volunteer fire and rescue departments; animal rights groups; groups that support the arts, history, or museums; and fraternal and civic groups like the Optimists, Ruritans, Jaycees, Kiwanis, Rotary, Elks, Moose, Lions, Eagles, and Police.

The single largest block of licensees are the Catholic charities, either churches, schools, or men's groups. This accounts for approximately one-third (1/3) of the licensees. The next largest group of gaming licensees are those associated with the military. Together these two (2) groups, Catholics and Veterans, account for approximately one-half (1/2) of the licensees. Other significant categories of licensees are volunteer fire departments, school boosters groups, and arts funding.

2002 TOP 5 STATES BY GROSS RECEIPTS

STATE	GROSS RECEIPTS
Minnesota	\$1,427,550,000
Washington	\$888,742,992
Kentucky	\$607,274,870
Indiana	\$583,128,493
Texas	\$556,400,000

- **Kentucky has consistently ranked within the top six states in gross receipts in charitable gaming**
- **1/3 of charitable gaming licensees are Catholic charities (churches, schools, or men's groups).**
- **2nd largest group of gaming licensees are organizations associated with the military.**

At the end of 2003, there were seven hundred and forty (740) licensed charities and five hundred and eighty-four (584) exempt organizations. The Office issued two hundred and eighty-nine (289) charity fundraising event licenses (fairs, festivals, etc.), and one hundred and nine (109) special limited charity fundraising event licenses (casino nights).

B. Games

A charitable gaming license allows charities to play bingo, sell charity game tickets or pull tabs, hold raffles, have Casino nights, and have school and church festivals and picnics, etc. Of the charities licensed at the end of the year, two hundred and eighty-one (281) ran (2) bingo sessions per week and two hundred fifteen (215) ran one bingo session per week. The remaining two hundred and forty-four (244), conducted a raffle, sold pull-tabs or had charity fundraising events only.

C. Charities' Gross Receipts

Of the six hundred and twenty-four (624) charities that reported in 2003:

- 1) Twenty-one (21) had no gross receipts;
- 2) Two hundred and forty-six (246) had gross receipts less than \$100,000;

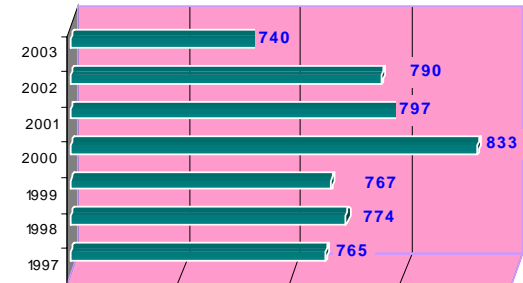
Five (5) had gross receipts less than \$1,000;

Fifty-nine (59) had gross receipts between \$1,000-\$10,000;

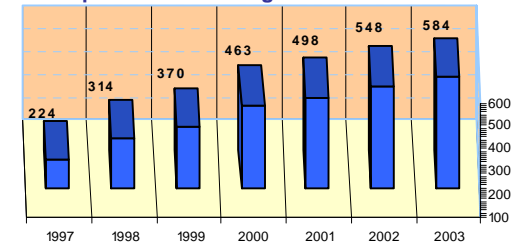
One hundred and twenty-six (126) had gross receipts between \$10,000-\$50,000;

Fifty-six (56) had gross receipts between \$50,000-\$100,000;

Charitable Gaming Licenses Issued



Exemption Acknowledgements Issued



- 3) One hundred sixty-five (165) had gross receipts between \$100,00 and \$500,000;

Sixty-three (63) had gross receipts between \$100,000 and \$200,000;
 Thirty-five (35) had gross receipts between \$200,000 and \$300,000;
 Thirty-two (32) had gross receipts between \$300,000 and \$400,000;
 Thirty-five (35) had gross receipts between \$400,000 and \$500,000;

- 4) One hundred and fifteen (115) had gross receipts between \$500,000 and \$1 million;

Twenty-four (24) had gross receipts between \$500,000 and \$600,000;
 Twenty-nine (29) had gross receipts between \$600,000 and \$700,000;
 Eighteen (18) had gross receipts between \$700,000 and \$800,000;
 Nineteen (19) had gross receipts between \$800,000 and \$900,000;
 Twenty-five (25) had gross receipts between \$900,000 and \$1 million;

- 5) One hundred seventy-four (174) had gross receipts between \$1 million and \$2 million;

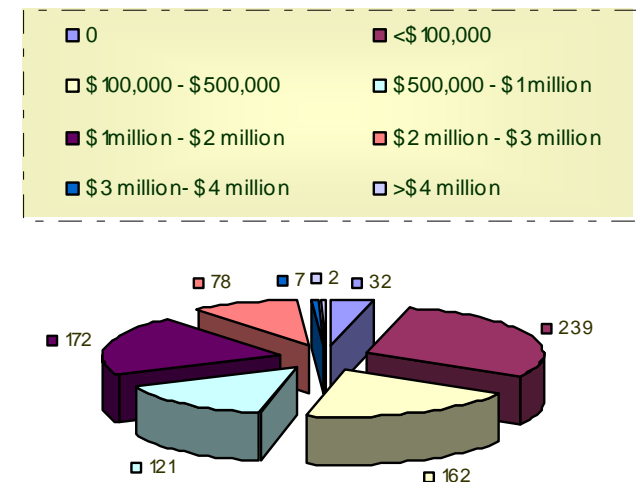
- 6) Sixty-eight (68) had gross receipts between \$2 million and \$3 million;

- 7) Seven (7) had gross receipts between \$3 million and \$4 million; &

- 8) Two (2) had gross receipts over \$4 million

Therefore, factoring out the charities that reported no gross receipts, five hundred twenty-six (526) charities had receipts less than one million (\$1 million) and two hundred and fifty-one (251) charities had receipts greater than one million (\$1 million). The average gross receipts per charity were **\$975,839.16**.

Charities' Gross Receipts



D. Expenses

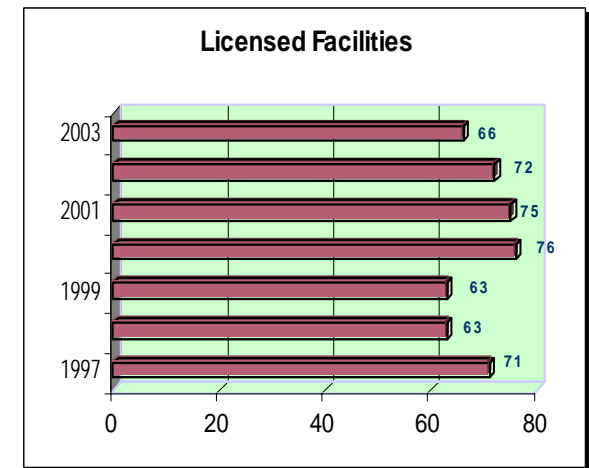
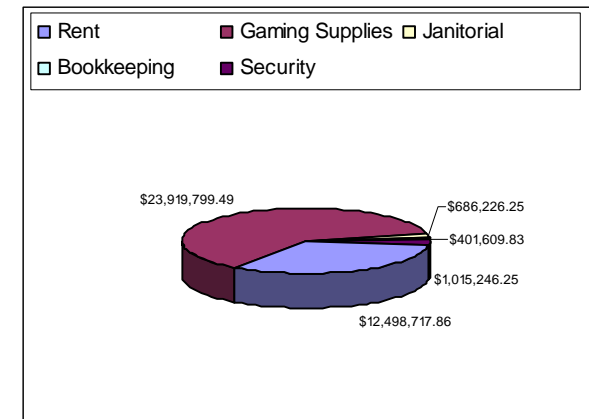
The total expenses statewide for 2003 were \$39,771,784.77. Of that total, almost twelve and one half million (\$12,498,717.86) was facility rent. The average facility made \$189,374.51 strictly from rental of the facility. This accounts for 31.4% of the expenses the charities paid.

The charities paid distributors over eighteen million dollars (\$18,314,038.08) for gaming supplies, i.e., bingo paper, pull-tabs, and prizes, and over five million dollars (\$5,605,761.41) for bingo equipment including flash-boards and monitors, and card-minding devices. The total supply and equipment expense statewide was almost twenty-four million dollars (\$23,919,799.49). The average distributor grossed over seven hundred thousand dollars on Kentucky charities (\$703,523.51). This accounts for 60% of the expenses the charities pay. Together the facilities and distributors alone account for 92% of the expense dollar.

The remaining expenses include: utilities, insurance, advertising, janitorial, bookkeeping, security, trade organization dues, and other. Statewide the charities paid \$1,015,246.25 for security, \$686,226.25 for janitorial, and \$401,609.83 for bookkeeping for a total of \$2,103,082.33.

E. Facilities

In 2003, the Office licensed a total of sixty-six (66) facilities. This number does not include organizations which game at their own facility or facilities which do not have more than two (2) organizations gaming.



F. Distributors

The Office ended 2003 with a total of thirty-four (34) licensed distributors.

G. Manufacturers

In 2003, the Office licensed twenty-seven (27) manufacturers, all of who are out of state businesses.

III. DIVISION OF LICENSING & COMPLIANCE

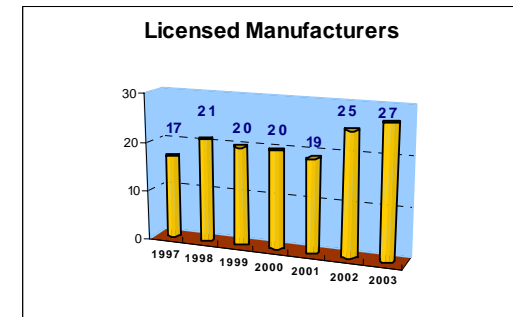
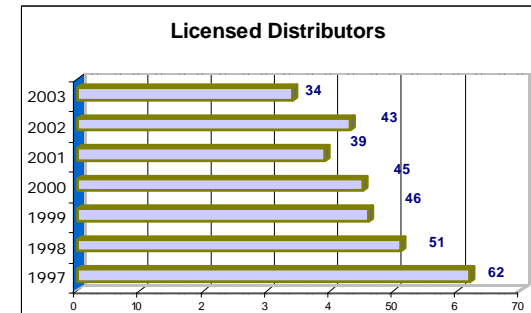
The Division of Licensing and Compliance has three (3) branches: Licensing, Compliance, and Accounting.

A. Licensing Branch

The Licensing branch reviews license applications for organizations, facilities, distributors, and manufacturers, sends deficiency letters if required, refers the applications for criminal history checks, reviews exempt status organizations, issues licenses, and processes license changes requested by licensees.

B. Accounting Branch

The Accounting branch reviews and reconciles the quarterly report forms filed by the organizations, facilities, and distributors, processes the fees for all licensees, processes annual reports filed by exempt organizations, and calculates the retention rate of the organizations based on their quarterly reports at the conclusion of the calendar year.



C. Compliance Branch

A total of eleven (11) Charitable Gaming Compliance Officers are regionally located throughout the state. The Compliance Officers conduct on-site inspections of licensed charitable gaming activity to assure adherence to applicable charitable gaming statutes and administrative regulations. In addition, the Compliance Officers investigate complaints and perform background investigations on organizations. During 2003, the Compliance Branch conducted a total of one hundred and eighty-five (185) of the total one hundred and ninety-one (191) complaints received by the Office.

IV. DIVISION OF ENFORCEMENT

The Office has strong enforcement powers, including examining charitable gaming supplies and equipment and conducting in-depth audits and investigations. The Division of Enforcement has two (2) branches, Audit and Investigations.

A. Audit Branch

The Audit Branch has a total of nine (9) auditors regionally located throughout the state and is headed by a certified public accountant. The Auditors conduct in-depth audits of charitable gaming activities to ensure that high standards of accounting, record keeping and reporting of charitable gaming receipts are met. The results of such audits may lead to corrective measures on the part of a licensee and/or administrative action against the charitable organization's license.

The Inspections are as follows:

1246	Charitable Organizations
54	Facility Inspections
32	Special Limited Events
80	Charity Fundraising Events/Special Limited Events



The Audit Branch opened a total of twenty-six (26) audits, and issued seventeen (17) Final Audit Reviews and thirty (30) Preliminary Audit Reviews

B. Investigations Branch

There are five (5) investigators regionally located throughout the state. They investigate complaints with allegations of criminal wrongdoing. These criminal allegations include theft, forgery, criminal possession of a forged instrument, promoting gambling, possession of a gambling device, participating in a continuing criminal enterprise, tax evasion and money laundering. The results of these investigations could result in administrative action or civil and/or criminal action. In several of these cases the Office is cooperating with the federal prosecutor and federal law enforcement agencies, the Kentucky State Police and other local law enforcement.

V. COUNTY-BY-COUNTY BREAKDOWN

The following pages include charts of the gross receipts, gross payouts, expenses, and attendance broken down by county.



The Investigations Branch opened twenty-seven (27) cases and closed three (3) including cases from prior years.

ARRESTS- 7

INDICTMENTS- 18

CONVICTIONS- 38

**COURT ORDERED
RESTITUTIONS**

TO CHARITIES- \$30,000

Charges Include:

- 1) Diversion of Charitable gaming funds over \$300**
- 2) Promoting Gambling**
- 3) Possession of Gambling Device**
- 4) Complicity to Failure to Make Required Disposition of Property over \$300**
- 5) Complicity to Diversion of Charitable Gaming funds over \$300**